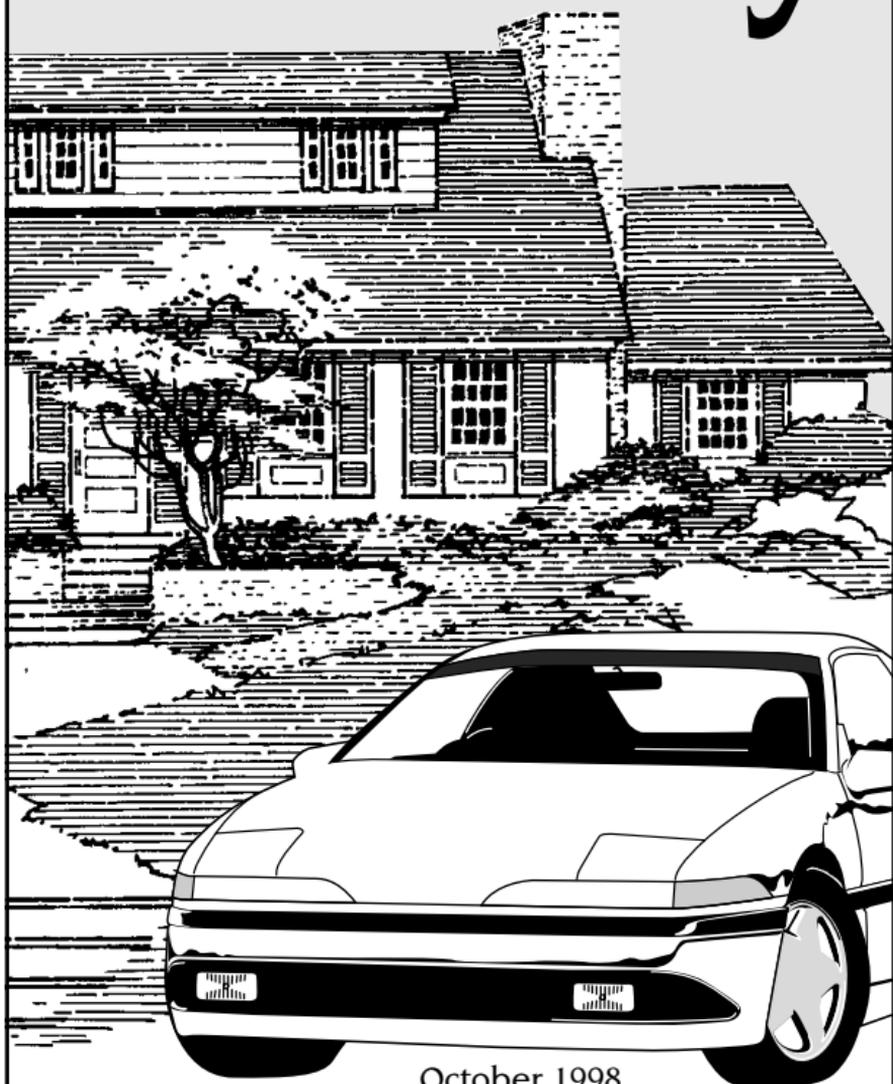


Plain Talk II

**Collection
OF YOUR
Tax
Liability**



October 1998

PLAIN TALK ABOUT THE Collection OF YOUR Tax Liability...

What will happen if I fail to pay my tax liability following notification from the Alabama Department of Revenue?

Can my assets be seized if I fail to respond to the Department's request for payment?

*Know What Can Happen...
Don't Let It Happen To You!!!*

When a taxpayer files a tax return, but payment is not remitted with the return, a tax assessment is entered. After the assessment becomes final and the appeal period has expired, the file is transferred to the Department's Collection Services Division. This division acts as an in-house collection agency for the Alabama Department of Revenue.

When a taxpayer's file reaches the Collection Services Division, the tax liability already has the full force and effect of a court judgment. This means that the Department may proceed to collect the tax liability in an involuntary manner by using several different methods.

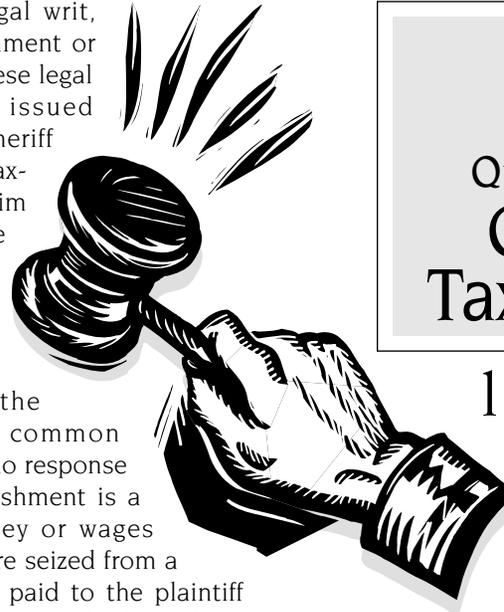
The Collection Services Division has responsibility for the collection of all taxes administered by the Alabama Department of Revenue (except ad valorem taxes) and the division's goal is to accomplish that task in the fastest and most economical manner possible. Each taxpayer is urged to pay his/her tax liability in full upon receipt of the

first letter sent by the Collection Services Division. This letter, called a "Final Notice Before Seizure", warns that further collection action will be necessary if full payment is not remitted within ten days. Personal checks as well as money orders, Visa, and Mastercard will be accepted. In order to pay the tax liability by credit card, the pink authorization form included with the "Final Notice Before Seizure" must be completed and returned within the first ten days following the issuance of this letter.

Taxpayers who ignore the "Final Notice Before Seizure" letter will not be contacted by the Collection Services Division a second time. The next action will result in the issuance of a legal writ, such as a garnishment or an execution. These legal documents are issued directly to the sheriff

of the county where the taxpayer resides and directs him to seize property in the hands of the taxpayer or a third party so that the tax liability can be satisfied.

The issuance of a Writ of Garnishment to the sheriff is the most common action taken when there is no response from the taxpayer. A garnishment is a legal process where money or wages belonging to the taxpayer are seized from a third party (garnishee) and paid to the plaintiff (the Department) in order to satisfy the judgment. The Department may issue a garnishment to an employer for 25% of the employee's wages. Many times, however, a garnishment is issued to the taxpayer's bank or credit union. Issuance of a garnishment is always an inconvenience to the taxpayer. Don't let this happen to you!



The Department may issue a Writ of Execution to the sheriff in the county where the taxpayer owns property in order to collect the tax liability. The local sheriff may levy on personal or real property and ultimately sell your interest in the property. This includes personal property such as motor vehicles, trailers, motorcycles, boats, business inventory, furniture, and fixtures. Prior to the sale, an advertisement is published in a local paper informing the public of the pending sale. Again, don't let this happen to you!

While these are some examples of the actions which the Department may take if you fail to voluntarily pay your tax liability, it is hoped that these actions will not be necessary. The Department wants you to make arrangements to resolve your tax liability so that collection action will be unnecessary.

The 10 Most Commonly Asked Questions Concerning Collection of Tax Assessments

1. How long does the Alabama Department of Revenue have to collect a tax assessment?

A minimum of ten years. This statutory period is extended by certain actions such as the filing of a bankruptcy or moving outside the state.

2. What happens when the Department files a tax lien?

The tax lien is recorded in the Office of the Judge of Probate of the county where the taxpayer resides or owns property. The lien encumbers property and places competing creditors on notice that the Department claims an interest in the property. Tax liens are often notated on a taxpayer's credit report

by credit reporting agencies, and may adversely affect one's ability to obtain credit. The lien is released when full payment is made.

3. Does interest continue to accrue on my tax liability?

Yes, interest continues to accrue on the balance of the final assessment until it is paid in full.

4. What rate of interest is charged by the Alabama Department of Revenue?

According to Section 40-1-44, *Code of Alabama 1975*, the interest rate for all taxes, except for ad valorem taxes, is computed based on the underpayment rate established by 26 USC 6621, and is subject to change quarterly.

5. May penalties and interest be waived?

No. A request for waiver of penalties can only be considered prior to the time the assessment is made final. There is no provision in law for interest to be waived, abated, or for the rate to be reduced. Once an assessment reaches the Collection Services Division, the amount due is as final as a judgment entered by a circuit court, and cannot be changed.

6. If my bank account is garnished, how much of the money in the account can be taken?

The Department is entitled to receive the full amount of money in a bank account at the time the garnishment is served, not to exceed the amount of the liability.

7. What amount will be withheld from my wages under a garnishment?

The employer is required to withhold 25% of the taxpayer's wages. The garnishment remains in effect for subsequent pay periods until the total amount of the garnishment has been withheld and remitted by the employer.

8. Will the Department ask the sheriff to levy and sell my home if it is mortgaged?

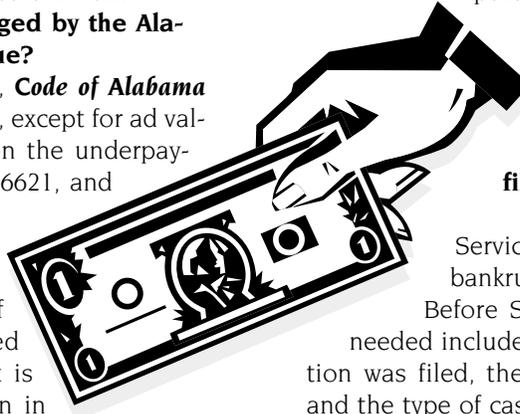
Yes. However, the Department will ask the sheriff to offer only your right, title, and interest in and to the property. Thus, it will be sold subject to any prior encumbrances.

9. What if I am no longer married to the person with whom I filed an individual income tax return?

Ex-spouses remain individually liable on a final assessment entered on a joint tax return, even if the parties have mutually agreed that only one of the parties will be responsible for payment. Such decisions are not binding on the Alabama Department of Revenue.

10. What happens if I file bankruptcy?

You should advise the Collection Services Division if you are currently in bankruptcy as soon as the "Final Notice Before Seizure" is received. Information needed includes the case number, date the petition was filed, the court where the case was filed, and the type of case. If the liability is for a tax period due prior to the filing, the Department may file a claim in your case. While the Department may be barred from making attempts to collect during the bankruptcy, unless the tax is discharged, collection action will resume when the case is closed.



The Alabama Department of Revenue encourages you to make paying your tax liability your number one priority.

If after reading this pamphlet you have any questions, you may contact the Alabama Department of Revenue's Collection Services Division at the following address and phone number:

Alabama Department of Revenue

Collection Services Division

P. O. Box 327820

Montgomery, AL 36132-7820

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